

S P E C I A L R E P O R T

BASEBALL '93



A snow-dusted Oriole Park at Camden Yards in Baltimore awaits the return of the Orioles and their faithful on April 5.

MLB's local TV/radio take tops \$350 million

Yankees have the sweetest rights deal at \$42 million per year; Mets a close second

By Harry A. Jessell

"We're entertainers, dude, and as long as there's television, pay."

—Barry Bonds, who became baseball's highest-paid entertainer during the off-season upon signing a six-year, \$43.75 million contract to play left field for the San Francisco Giants.

Major League Baseball's 28 teams will receive some \$353 million in local broadcast and cable revenues in 1993, according to BROADCASTING & CABLE's exclusive annual survey of the teams' electronic gate.

(The team-by-team rights and revenue breakdown on the next two pages is based on team and industry sources and BROADCASTING & CABLE estimates.)

The teams are not putting all of the \$353 million in their—or their high-priced players'—pockets.

Only about \$257 million represents straight rights payments from stations and regional cable networks. The balance is revenues from various deals in which teams retain some or all of the rights. And out of those revenues come the costs of producing and selling the games.

The local TV money comes on top of the nearly \$400 million—or \$14 million per team—MLB will receive from national network rights deals with CBS and ESPN (see story, page 42).

The New York Yankees have not won many pennants lately, but they can still boast of the most lucrative local rights deal. They are in the fifth

year of a 12-year deal with the Madison Square Garden Network, which pays them, on average, \$42 million a year. MSG Network televises 108 games and buys time on WPIX-TV to air another 50. A separate rights deal with WABC(AM) brings in another \$5 million per year.

The crosstown Mets have the second-richest deal. Their take includes \$20.1 million in rights payments from SportsChannel New York (\$14 million) and WFAN(AM) (\$6.1 million) and a share of the \$15 million to \$20 million in revenues from their broadcasts over WWOR-TV.

From the handful of local rights deals cut during the off-season, it is hard to say whether the value of local

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BASEBALL'S LOCAL LINEUP

BROADCAST TV						CABLE				RADIO				TOTAL
Team	Flagship	# of regular season games	# of stations in network	Contract status (year of years)	1993 rights (in millions)	Regional network	# of regular season games	Contract status (year of years)	1993 rights (in millions)	Flagship	# of stations in network	Contract status (year of years)	1993 rights (in millions)	Revenues & rights fees (in millions)
NATIONAL LEAGUE EAST														
Chicago Cubs	WGN-TV (ch.9)	140	7	—	—	NO CABLE	—	—	—	WGN(AM) (720 khz)	63	—	—	\$20.0
Team and stations are owned by Tribune; TV and radio revenues are \$20 million.														
Florida Marlins	WBFS-TV (ch.33)	52	9	1/4	NA	Sunshine Network	63	1/4	NA	WQAM(AM) WCMQ(AM)	20 0	1/4 1/2	NA NA	NA
WCMQ(AM) broadcasts in Spanish.														
Montreal Expos	CTV (Eng.)	10	10	3/4	—	Sports Network	25	3/4	—	CIQC (AM)	16	3/4*	—	\$8.0
	SRC (Fr.)	40	12	3/4	—	Reseau Des Sport	50	3/4	—	CKAC (AM)	36	3/4*	—	
Broadcast and cable TV rights total \$6.5 million; team retains radio rights; radio revenues are \$1.5 million.														
New York Mets	WWOR-TV (ch.9)	75	—	2/5*	—	SportsChannel New York	75	7/25	\$14.0	WFAN (AM) (660 khz)	20	3/5	\$6.1	\$35.1
Team retains broadcast TV rights, buying time on WWOR-TV; revenues are \$15-\$20 million.														
Pittsburgh Pirates	KDKA-TV (ch.2)	53	6	2/2	\$2.0-2.5	KBL Entertainment	59	2/2	\$2.0	KDKA (AM) (1020 khz)	50	3/4*	—	\$7.5
Team retains radio rights; revenues are \$3 million.														
Philadelphia Phillies	WPHL-TV (ch.17)	85	2	1/5	—	PRISM SportsChan./Phil.	45 22	—	\$6.0	WOGL (AM) (1210khz)	30	1/5	\$3.0	\$13.5
Team and WPHL-TV, in revenue-sharing deal, expect \$4.5 million in revenues; cable payment is total from both services.														
St. Louis Cardinals	KPLR-TV (ch.11)	77	23	3/3	\$6.0	NO CABLE	—	—	—	KMOX (AM) (1120khz)	120	2/5	\$5.0	\$11.0
NATIONAL LEAGUE WEST														
Atlanta Braves	WTBS (TV) (ch.17)	125	—	—	—	SportsSouth	28	—	—	WGST(AM) (640 khz)	175	2/3	\$3.0	\$19.0
Team, WTBS and SportsSouth are owned by Turner Broadcasting; TV revenues are \$16-\$17 million.														
Cincinnati Reds	WLWT (TV) (ch.5)	55	17	3/3	\$4.0	SportsChannel Cincinnati	35	1/3	\$2.0	WLW (AM) (700 khz)	82	2/3	\$3.0	\$9.0
Colorado Rockies	KWGN-TV (ch.2)	80	8	1/5	NA	NO CABLE	—	—	—	KOA (AM) (850 khz)	50	1/5	\$3.0-4.0	\$3.0
Houston Astros	KTXH (TV) (ch.20)	67	11	8/10	\$4.0	Home Sports Entertainment	50+	5/6	\$2.5	KPRC (AM) (950 khz)	50	3/5	—	\$11.0
KXYZ(AM) broadcasts games in Spanish. splits revenues of less than \$1 million with team. Team has arrangement with KPRC, which generates \$3.5 million in revenues for team.														
Los Angeles Dodgers	KTLA (TV) (ch.5)	50	—	1/5	\$15.0	NO CABLE	—	—	—	KABC (AM) (790 khz)	32	1/5	\$3.0	\$18.0
SportsChannel Los Angeles, which carried 35 games in 1992, folded during off season.														
San Diego Padres	KUSI-TV (ch.51)	51	19	3/3*	—	Cox Cable	50	1/1	—	KFMB (AM) (760 khz)	13	4/5*	—	\$9.0
Team retains all rights; revenues total \$9 million; cable games are offered on PPV basis.														
San Francisco Giants	KTVU (TV) (ch.2)	50	5	5/6	\$4.7	SportsChannel Pacific	55	4/7	\$3.5	KNBR (AM) (680 khz)	14	5/6	\$3.3	\$11.5
KIQI(AM) simulcasts games in Spanish.														

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AMERICAN LEAGUE EAST														
Baltimore Orioles	WMAR-TV (ch.2)	50	6	3/3	\$5.5	Home Team Sports	85	10/10	\$3.4	WBAL(AM) (1090 khz)	30	3/3	\$2.0	\$11.6
Team also receives \$425,000 from WTOP(AM) Washington, \$300,000 from stations in TV network.														
Boston Red Sox	WSBK-TV (ch.38)	75	6	3/6	\$12.0	New England Sports Network	82	9/16	\$6.0	WRKO (AM) (680 khz)	57	4/4	\$4.0	\$22.0
Cleveland Indians	WUAB-TV (ch.43)	60	0	2/4	\$2.0-2.5	SportsChannel Ohio	45	—	NA	WKNR (AM) (1220 khz)	35	2/2	\$2.5	\$4.5
SportsChannel Ohio is negotiating a three-year deal; it expects to televise 45 games.														
Detroit Tigers	WDIV (TV) (ch.4)	47	5	2/3	\$7.5	Pro Am Sports	70	9/16	\$2.8	WJR (AM) (760 khz)	35	3/5	\$4.0	\$14.3
Milwaukee Brewers	WVTV(TV) (ch.18)	65	7	—	\$3.5	NO CABLE	—	—	—	WTMJ (AM) (620 khz)	48	2/4*	—	\$5.5
WCGV-TV holds rights, but has agreement to air games over WVTV; team retains TV beer ad revenues (included in TV rights), radio rights and all radio revenues (\$2 million).														
New York Yankees	WPIX-TV (ch.11)	50	0	3/3*	—	Madison Square Garden Network	108	5/12	\$42.0	WABC (AM) (770 khz)	20	5/6	\$5.0	\$47.0
MSG Network, which holds all TV rights under 12-year, \$486 million deal, buys time on WPIX-TV.														
Toronto Blue Jays	CFTO(TV) CBLT(TV)	35 25	20 39	2/5	\$9.6	The Sports Network	75-80	1/3	\$4.0	CJCL (AM) (1434 khz)	45	3/6	\$1.6	\$15.2
CFTO holds broadcast TV rights, sells rights to 25 games to CBLT; cable TV deal not finalized.														
AMERICAN LEAGUE WEST														
California Angels	KTLA-TV (ch.5)	49	0	2/4	\$6.0	Prime Ticket	20	1/5	\$1.0	KMPC (AM) (710 khz)	23	3/3	\$3.7	\$10.7
Chicago White Sox	WGN-TV (ch.9)	48	0	10/17	\$4.0	SportsChannel Chicago	110	4/5	\$4.2	WMAQ (AM) (670 khz)	28	2/4	\$2.0	\$10.2
Team and WGN-TV have revenue-sharing deal that is expected to generate \$4 million for team; team retains radio beer revenue (included in radio rights).														
Kansas City Royals	KSMO-TV (ch.62)	63	19	1/3	\$3.0	NO CABLE	—	—	—	WIBW (AM) (580 khz)	124	2/3	\$2.0	\$5.0
Minnesota Twins	WCCO-TV (ch.4)	38	4	—	—	Midwest SportsChannel	74	—	—	WCCO (AM) (830 khz)	68	—	—	\$4.5
Midwest pays \$4.5 million for all TV and radio rights in fifth year of 5-year deal; Midwest offers 24 games on basic, 50 on PPV basis.														
Oakland Athletics	KRON-TV (ch.4)	50	14	1/5	\$5.3	SportsChannel Pacific	59	4/5	\$3.3	KNEW (AM) (910 khz)	23	1/3*	—	\$11.4
Team retains radio rights; revenues are \$2.8 million.														
Seattle Mariners	KSTW(TV)	60	5	1/3*	—	NO CABLE	—	—	—	KIRO (AM) (710 khz)	26	1/5*	—	\$5.0
Team retains all rights; revenues total \$2-2.5 million for TVs, \$3-3.5 million for radio.														
Texas Rangers	KTVT (TV) (ch.11)	90	15	1/3	\$5.25	Home Sports Entertainment	50	5/6	\$2.5	WBAP (AM) (820 khz)	30-35	2/3	\$3.0	\$10.75

*= Contract status refers to time buying agreement between rightsholder and flagship. NA = Not Available

Baseball

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rights is trending up or down. The Los Angeles Dodgers' new five-year pact with Tribune's KTLA-TV calls for annual payments of \$15 million, \$4 million more than they were getting under their last deal with KTTV(TV). And the Texas Rangers, in their new three-year contract with KTVT(TV) Dallas-Fort

Worth, will receive \$6 million, \$750,000 more than under their last deal.

But the Kansas City Royals had to settle for \$500,000 a year less in making their off-season move from ABC affiliate WDAF-TV to independent KSMO-TV.

Several teams retain rights, but mostly for radio. The San Diego Padres and the Seattle Mariners have shown the greatest enthusiasm for the broadcasting and cable business. Each

team produces and sells all media. Sources say the Padres reap revenues of about \$9 million; the Mariners, up to \$6 million. No word on how much of that they keep.

Teams that retain rights incur all the expenses of production and sales. And, of course, they must often buy time on radio and TV outlets. The Padres, for instance, reportedly pay KUSI-TV around \$12,000 per game, or more than \$600,000 for a season-long 51-game schedule. ■

Fear of falling fees, ratings haunt MLB

Broadcast, cable bidders angle for steep cuts in rights contracts; split package likely in subsequent network deals; viewer base may be eroding for America's favorite pastime

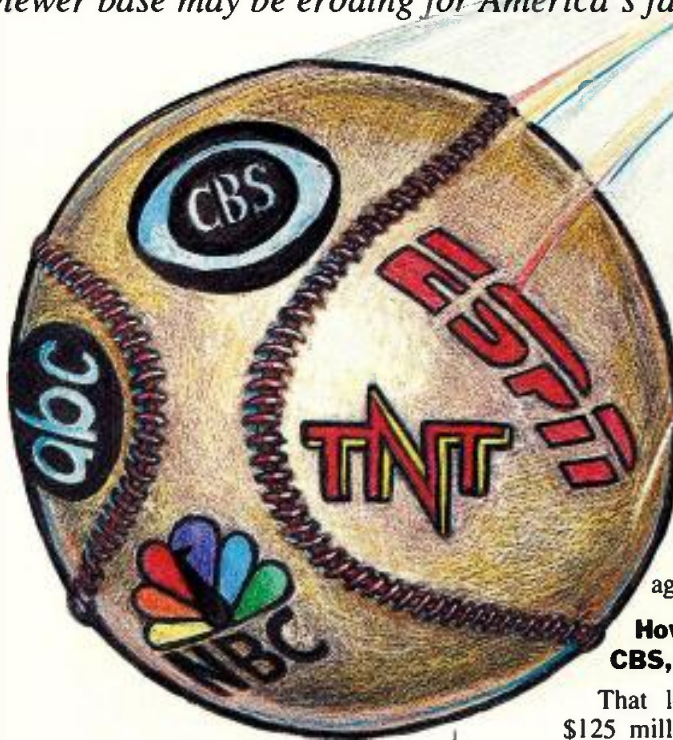
By Steve McClellan

From business and financial standpoints, Major League Baseball is a mess, and a large part of the near-term problem has to do with how the league can cover its rising player costs in the face of an anticipated fall in national media rights revenues after the 1993 season. In the long term, questions loom about the general appeal of the sport as television programming.

MLB's current national broadcast and cable television agreements are entering their fourth and final season. CBS-TV, which negotiated a four-year, \$1.06 billion deal that started in 1990, will pay around \$265 million this year. ESPN will pay \$100 million in the final year of its four-year, \$400 million national cable deal.

Executives on both sides of the negotiating table predict a drop of 30% or more in broadcast rights fees beyond 1993. And the consensus is that the over-the-air network package will revert to a split structure, as it did in the past when NBC broadcast a Saturday game of the week and ABC aired Monday Night Baseball. (Most agree, however, that Monday baseball was a flop that will not be repeated.) In the split-package scenario, the networks involved would alternate carriage of the All-Star Game and the World Series one year and the American and National League Championship series the next.

"The league has basically determined the split package is the way to



analyst at Sanford C. Bernstein, estimates the total baseball write-down for CBS at close to \$500 million, or nearly half what the network paid for the package.

How big a loss for CBS, really?

That loss averages about \$125 million a year over the four years. However, economist Andrew Zimbalist, who has examined the whole rights issue in his recent book *Baseball and Billions*, says CBS's write-down estimates appear out of line when ad revenues from baseball coverage are figured in.

Zimbalist conservatively estimates that CBS took in \$105 million from the World Series in 1991, \$95 million from the playoffs, \$10 million from the All-Star Game and \$40 million from the regular season, for a total of \$250 million, or just \$15 million less than the \$265 million allocated to MLB in rights that year.

Factoring in production costs, Zim-

go, because the networks want to spread the costs and the risks that became all too real under the current agreements," said one source close to the talks.

It has been well documented that the "risks" associated with the current contracts refer to the staggering losses incurred by CBS and ESPN. CBS took a write-down of \$282 million against its baseball contract in 1990 and a write-down of \$322 million against its baseball and National Football League agreements in 1991 (it didn't allocate specific amounts to each contract). Tom Wolzien, a media

balist argues it is hard to believe CBS lost more than \$38 million a year under the contract. The network's huge write-downs, he says, "might arouse suspicion about whether it is engaging in a public relations game in a bid for smaller contracts the next time around."

But industry executives, including some outside MLB and CBS, point out that the 1991 baseball post-season played out the way CBS dreamed it would—a dramatic seven-game World Series in which the finale commanded about a 50 share. "You always dream of an L.A.-New York series, but they came pretty close to the ideal in 1991," said a network executive. "When you bid on MLB it's a big crapshoot. You're betting that major-market teams play a seven-game series, and if it doesn't come out that way—and you're paying \$265 million for the rights—you lose big time."

Last year, CBS's ratings hope for the World Series had two strikes against it: one finalist was Toronto—and viewership there is not tallied in the U.S. ratings by Nielsen—and the team beat Atlanta in six games. As a result, CBS averaged 4 rating points less over the series.

If the 1991 post-season was a dream come true for CBS, 1990 was a nightmare—the Cincinnati Reds blew out the Oakland A's in four games. While Cincinnati fans were no doubt in ecstasy, they are in the 30th-ranked market, far below number 10 Atlanta. Furthermore, no one has ever accused the Reds of being "America's team," and they lack the superstition platform that might enable them to assume such a moniker.

Advertising agency executives estimate that CBS generated perhaps half to three-quarters the revenue on baseball in 1990 as it did in 1991. "They lost a hell of a lot more than \$40 million in 1990," said one agency executive. "Are they playing up their losses for the next set of renewal talks? Well, wouldn't you?"

Hidden benefits for ESPN

For ESPN, the paper losses are estimated to be in the \$160 million to \$200 million range over the life of the current contract. But some cable executives argue that ESPN's actual losses are significantly less than that, because of several factors.

According to one high-level executive who followed the ESPN situation

closely, the network has experienced a significant lift—50% or more—in its weekly average rating during the six-month period in which it airs baseball. That increase, the executive notes, allows ESPN to sell programs other than baseball at higher rates than it could have without baseball.

Another cable executive said ESPN officials firmly believe that baseball has given it added leverage in carriage-fee negotiations with cable operators and has probably enabled it to raise its fees higher and faster.

Given those factors, the source said, ESPN's "imputed losses" may actually be only 50% of its paper losses (or \$80 million-\$100 million over the life of the contract) attributed to baseball, if the arithmetic is limited to rights paid, ad revenue received and production costs incurred.

Nevertheless, many in the business believe ESPN has considerably more bargaining leverage in the rights negotiations than it did four years ago, when, sources say, the league forced the network to take almost twice as many games—about 160 regular-season and 10 pre-season games—as it wanted.

ESPN's losses, however they are calculated, are still losses, and it doesn't appear the network has much, if any, competition at this point for the cable contract. In fact, sources say MLB has been soliciting interest from other networks, including USA Network and Turner's TNT. As of last week, there was little interest on the part of either.

"You never say never," said a USA Network official. "But at this point our primary focus where we're allocating most of our program budget is in entertainment programs."

At Turner, a source said that Braves baseball on WTBS(TV) Atlanta continues to be the company's baseball focus. "They asked us about interest in a TNT package, but we really don't think it makes sense at this time," said a TBS executive. (Both the team and the station are controlled by TBS. According to the company's most recent 10-K, it will pay MLB \$15 million, which will go to the 1993 superstition pool, expected to total between \$25 million and \$30 million this year.)

Despite the losses, ESPN officials have made it clear they like baseball and want to discuss a rights renewal. But mention baseball renewal to media executives, including those at

ESPN, and one is likely to hear one of the following: "at the right price" or "never say never."

According to Ed Durso, executive vice president and general counsel, ESPN, he and other executives at the network "feel very strongly that Major League Baseball belongs on ESPN. It's been a tremendous success in fulfilling our promise to viewers and affiliates that ESPN would be the place where you could go every day to find out everything of significance that happened in baseball."

But, said Durso, the economics of the deal have been "very difficult." He confirmed losses in the "tens of millions each year," but would not be more specific. "I think they [MLB] recognize the realities of the marketplace," he said.

Durso admitted that to some extent the network's ratings expectations were 40% to 50% higher, depending on the day of the week, than they should have been. Part of the problem, he suggested, was the six-year gap since the previous MLB cable deal with USA. And if it wasn't obvious before, the past three seasons have demonstrated that imported games do not offer home-team appeal and are not as popular with local fans.

In the current ESPN deal, limited exclusivity (only one night, Sunday, out of six that ESPN has coverage) and the ability to impose blackouts on local stations covering the same games has had an impact on ratings and revenues, said Durso. Those two issues, among others, are negotiating points, he said.

Lowering their sights for new four-year deal

According to several television executives who have had extensive talks with MLB executives, the league wants another four-year broadcast-network package. MLB executives, these sources say, think they can get two networks to pony up a combined \$700 million, which would represent a 34% drop in the value of the rights from the current agreement.

But some analysts who closely follow the networks believe CBS is positioning itself for an even greater drop. "I think the magnitude of their write-downs is a clear signal they believe the rights are worth about half what they paid the last time around," said Sanford Bernstein's Wolzien. That would put a four-year package at about \$530

million, or \$132.5 million per year.

CBS officials declined to speak on the record about the negotiations, as did officials at NBC and ABC. But a source at CBS, asked for comment on Wolzien's assessment, said it was not far off, but he suggested the network might seek an even greater reduction. "With the write-down, we are operating at break-even on Major League Baseball," the source said. "The question then becomes, what sort of reasonable profit are we entitled to make on the franchise?"

Others are not surprised to hear about such a position from the CBS camp. "Baseball is a big disaster for them," said one agency executive. Of course, it is not entirely certain CBS will make a bid. Affiliates attending

ball Association. But such a deal would force greater revenue sharing among the individual baseball clubs. While many believe the arrangement would be to MLB's benefit in the long term, many larger-market, wealthier teams object.

More power to the bidders

The networks have considerably more bargaining leverage for the upcoming renewals than they did four years ago. One of MLB's dilemmas is the huge salary commitments the teams have beyond 1993. According to a report in *USA Today*, those commitments total over \$1 billion—so far—through 1998, including almost \$500 million in salary commitments alone for 1994.

presidents leaving within the year), it's more likely to happen in 1995.

Executives reached last week for comment on the proposal were still trying to figure out the benefits. The last thing CBS or any broadcast network needs is more baseball inventory. Some believe added playoff games might be used as a sweetener for the cable deal, which now offers a regular-season package only. There has also been speculation that the league is trying to figure out how to add a package of nationally syndicated games to the media mix; some playoff games could factor into such a package.

Diminishing fan base

Still others believe the MLB is trying to address more deeply rooted problems than the next round of media contracts, problems that address the question of the game's declining appeal as an entertainment pastime.

"Baseball has fundamental product problems," says one high-level television sports executive who was involved in negotiating the current rights deals. "They have an aging audience, and they aren't injecting new, young blood into the fan base. In some respects it is the product of another era, certainly in terms of the pacing. It kind of reflects a bygone era, which has some appeal for the 30-plus crowd, but not for a 12- or 14-year-old."

Bryan Burns, a New York-based sports programing consultant and former MLB executive who was instrumental in negotiating the current national media rights deals, believes the division and playoff expansion proposals have some merit. "The question of more inventory is a legitimate issue," he said. "But if you're trying to generate more interest in the game generally after Labor Day, expanding the playoffs may be the right direction. If, instead of four teams in contention there are seven or eight, then maybe 12 or 14 teams have some [chance of making it to the playoffs], creating broader interest in the game."

Questions of future fan interest, and an inability on the part of owners to agree on how best to position the league for the future, are long-term problems for MLB. Meeting the 1994 payroll and avoiding a player walkout are its short-term challenges, and the real hardball is about to begin. ■

Keeping score of baseball on TV

RS=regular season; LCS=League Championship Series; WS=World Series. Numbers in parenthesis represent number of games. 1989 World Series interrupted by San Francisco Earthquake.

	NBC		ABC	
	RS	LCS	WS	RS
1989	5.1 (31)	12.5 (10)	16.4 (4)	6.2 (8)
	CBS		ESPN	
	RS	LCS	WS	RS
1990	4.7 (16)	11.6 (10)	20.8 (4)	2.1 (161)
1991	4.0 (16)	11.9 (12)	24.0 (7)	2.0 (160)
1992	3.4 (16)	10.5 (13)	20.2 (6)	1.5 (156)

Source: Nielsen

recent meetings with network officials, among them CBS Sports President Neal Pilson, came away with the impression that baseball is not a high-priority item. "Of all the activity that CBS Sports is involved with or planning for, baseball doesn't appear to be at or near the top of the list," said an affiliate general manager who attended one recent meeting.

But that does not mean CBS has ruled out a renewal. Both Pilson and NBC Sports President Dick Ebersol have stated publicly they do not think serious negotiations can begin until MLB completes a new labor deal with the players union. The current labor pact expires at the end of the 1993 season. "At this point, MLB can't say with certainty when opening day 1994 will be," said a network executive.

The player talks are expected to be nasty, brutish and complicated. Issues will include player demands for a percentage of MLB revenues in return for possible salary caps, an arrangement similar to that of the National Basket-

"That's the short-term problem for Major League Baseball," said one high-level cable television executive. "You have to think they are going to be pretty damned desperate for whatever revenue they can get from the network contract renewals."

As for ESPN, sources close to the situation believe the network will be in a better position this time around to dictate the number of games it wants to telecast—probably around 100 per season. Given the losses the network has suffered for the first three years, sources believe ESPN will bid no more than \$70 million-\$75 million per year for another four-year deal.

Then there's the question of MLB's proposed expansion to three divisions in both the American and the National Leagues, a reapportionment that would double the number of teams reaching the playoffs from four to eight. League officials say the change could be made as early as 1994, but, given baseball's internal disorganization (no commissioner and two league